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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
BRAZIL

IPF:(1992-96) $ 13 000 000
(BRA/92/028) - Support to the Modernization of Water Supply and Sanitation System

Date of approval by the AC:[1]	25 November 1992
Expected duration:	Five years
Proposed executing agency:	Government (National Secretariat for Water and Sanitation)
Government implementing agency:	Institute of Applied Economic Research (IPEA)
Proposed UNDP contribution:	Nil
Government cost sharing:	$ 7 767 000
Support costs:	$ 233 000
Total UNDP budget:	$ 8 000 000

Project background

The Federal Government of Brazil established in 1971 the National Water Supply and Sanitation Program aimed at developing organizations at the state level for the provision of water and sewerage services. Increasing urban water supply coverage was given a top priority. The Program increased water supply coverage in urban areas from 45 to 83 percent in a 13 year period. These gains were not matched in sewerage coverage which only increased from 24 to 32 percent during the same period.

During the 1980's the sector entered a financial and institutional crisis mainly as a result of inflation and regulated tariffs. The state agencies' debts grew largely and their investment possibilities were severely limited. In an effort to improve the sector's condition, the Federal Government recently transferred the regulatory responsibility for the water and waste sector to a National Secretariat for Water and Sanitation, within the new Ministry of Social Welfare.

Current government strategy for the sector aims at increasing the quality and coverage of water sanitation services, in particular to lower income groups. For this purpose, the National Secretariat for Sanitation has started to modernize the sector's management, to eliminate inefficiencies and to increase the efficacy of the production, distribution and commercialization of the services. Within this framework, a loan was recently negotiated with IBRD to develop a pilot project to: (i) invest in the states of Santa Catarina, Mato Grosso do Sul; (ii) strengthen the capacities of the respective water and sanitation state agencies (CASAN, EMBASA and SANESUL); and (iii) strengthen the sector through the design of

[1] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

a new legal, institutional and financial framework that enables the Federal Government to fully accomplish its constitutional responsibilities. The IBRD loan has an investment component of (US)$ 242.0 million that will be complemented by the above-mentioned state agencies up to (US)$ 492.0 million, and an institutional development component of (US)$ 8.0 million completely financed by IBRD. UNDP assistance was therefore requested to implement the latter, given its experience in national capacity building and the possibility it offers to enable the Government to use several United Nations agencies simultaneously while maintaining a neutral multisectoral approach.

Description of project

The project will contribute to the national objective of increasing the access and improving the quality of water and sanitation services to the urban and rural population. The immediate objectives of the project are to: (a) develop a new legal, institutional and financial regulatory framework for the sector, as well as a strategy and the necessary instruments for its implementation; (b) prepare a structured and economically justified program for Water Demand Management and Systems Rehabilitation, to be submitted for financing to national and international financial agencies; and (c) strengthen the capacity of the three state agencies mentioned above for the implementation of the investment component of the mentioned IBRD loan.

Inputs

UNDP will provide 126 work-months of international and 420 work-months of national consultants in areas such as regulating models for the sanitation sector, financing policies and mechanisms, taxation policies, investment projects on water management and sanitation systems rehabilitation; subcontracts for components such as alternative private sector participation in the delivery of services, tariff law proposal for the sanitation sector, alternative models for further decentralization and specialized training courses; training in areas such as techniques of economic, financial and entrepreneurial planning; economic evaluation of investment projects in the sanitation sector and environmental impact evaluation; equipment required for training activities; and miscellaneous costs related to the preparation and dissemination of investment and technical cooperation reports.

Financial data

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Personnel	4 788 200
Subcontract	1 935 400
Training	314 600
Equipment	60 000
Miscellaneous	668 800
Subtotal	7 767 000
Support cost	233 000
Total	8 000 000

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